

RESEARCH REPORT

A Living Stipend for Students with Financial Need

Supplementing Pell Grants to Support Nontuition Expenses

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Contents

Acknowledgments	iv
A Living Stipend for Students with Financial Need	1
Types of Nontuition Expenses	2
Existing Policy Efforts	8
How Should We Think about Helping Students Cover Their Nontuition Expenses?	9
Policy Options: Designing Pell Supplements	11
Federal Matching Funds for States	21
Conclusion	22
Notes	23
References	25
About the Authors	26
Statement of Independence	27

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A Living Stipend for Students with Financial Need

Nontuition expenses account for an average of 80 percent of the total budgets for full-time community college students and 60 percent for in-state students at public four-year colleges and universities (Ma and Pender 2023, figure CP 1). Focusing grant aid only on tuition and fees leaves many low- and moderate-income students struggling to buy books and supplies and meet basic needs. The problem is not specific to food or housing but to a general lack of sufficient funds. In earlier work, Urban Institute researchers have analyzed this problem and begun to consider a framework for policy solutions (Baum and Cohn 2022; Baum et al. 2023). In this report, we develop concrete policy proposals for supporting nontuition expenses.

One solution to the problem of nontuition expenses would be for the federal government to significantly increase the size of the Pell grants it offers. But for several reasons, this seemingly simple solution would not be optimal. Doubling the maximum Pell grant, a popular and common suggestion,¹ would more than double the program's cost because it doubles grant levels for the lowest-income students but yields far larger proportional increases for those with higher expected family contributions (EFCs)² who receive smaller Pell grants. A \$7,500 increase in the maximum grant would add that amount to the awards of all current recipients, rather than increasing awards proportionately or concentrating the benefits in another way that prioritizes students who need them most. Other potential problems include diminished political support for a redefined Pell program, concerns about upward pressure on tuition prices, and reduced state support for public higher education.

A supplemental need-based living stipend could be a more flexible, better-targeted approach to supporting nontuition expenses. It might not be necessary for students to confront the separation between the two grants, but allocating them separately could target the aid more effectively and allow for more flexibility in determining its distribution. This type of federal program would likely be the most effective approach to broad relief, but even if it is enacted, state efforts to address nontuition expenses will also be critical.

This report delves into options for designing a need-based basic living stipend. Our discussion of alternative strategies for designing living stipends to supplement Pell includes estimates of the distribution of stipends by EFC levels and some rough cost estimates.

The idea is not to cover all expenses for high-need students. Our basic premise is that to effectively support educational attainment for low- and moderate-income students, government aid programs must go further in diminishing the barriers created by often unanticipated and unmanageable nontuition expenses. But the student aid system cannot be totally responsible for meeting basic needs while also covering tuition and fees. Students should have more access to the income support programs that help people with inadequate labor market earnings—programs that would have to be more generous to ameliorate the hunger and homelessness many Americans face.³

Some of the problems students face are state specific. Currently, federal grant aid can extend to nontuition expenses when tuition and fees are low, but some state grant programs prevent their aid from addressing these needs. And the increasingly common state policies focused on making college “free” generally cover tuition and fees without providing any extra money to the lowest-income students, who already have grant aid to cover these charges but still struggle with other expenses. Moreover, cost-of-living differences create variation in the burden of nontuition expenses that standardized federal approaches cannot address. So there is a definite role for states to supplement strengthened federal policies.

Before discussing policy options, we detail the categories of expenses institutions must include in cost of attendance (COA). Understanding these expenses provides context for judging the adequacy of potential approaches. Moreover, as states work to supplement federal efforts to address nontuition expenses, noting any differences in the magnitude of these expenses across geographic locations will be critical to policy development.

Types of Nontuition Expenses

The federal government specifies the categories of expenses institutions can include in their COA estimates that, when compared with measured ability to pay, are the basis of measuring students’ financial need. These categories include the following:⁴

- tuition and fees
- books, course materials, supplies, and equipment
- transportation
- miscellaneous personal expenses
- food

- housing
- dependent care costs
- costs of obtaining a license, certification, or first professional credential
- costs for study abroad programs
- disability-related expenses
- cooperative education program employment costs
- fees for federal student loans

According to the College Board, the average total of nontuition expenses included in COA in 2023–24 ranged from \$15,870 for public two-year college students not living with parents to \$18,880 for private nonprofit four-year college students living on campus (Ma and Pender 2023, figure CP 1).

A cash allowance for living expenses will put money into students' pockets that they can spend as they see fit. The only way to limit the allowance to specific categories of expenses is to provide in-kind benefits, such as transportation vouchers, food pantries, or discounted child care. But even so, students can then shift their own funds from these categories to others.

Institutions take different approaches to setting budgets for students. Book budgets are more than twice as high at some institutions as at others in the same system, and living allowances for students at different institutions in the same neighborhood vary dramatically (Baum et al. 2023). These inconsistencies provide a powerful argument against setting living stipends according to individual students' COAs or unmet need based on those COAs. Nonetheless, it is helpful to look more closely at the major categories of nontuition expenses in COA to consider the best strategies for supporting students. This overview provides a starting point for estimating the appropriate magnitude of a basic living allowance and a framework for states attempting to determine their students' needs.

Books and Supplies

This component of COA includes all costs for books, supplies, and equipment required of all students in the same program, including a reasonable allowance for the rental or up-front purchase of a personal computer and for equipment needed for virtual instruction.⁵ These costs make up a small percentage of students' overall budgets but are often burdensome because students have little discretion over them.

Data in the 2019–20 National Postsecondary Student Aid Study (NPSAS) indicate that full-time students at all types of nonprofit institutions report spending similar amounts on required course materials—about one-third spend up to \$400, one-third spend between \$400 and \$900, and one-third spend more than \$900 (table 1). The median is \$550, but 10 percent of students report spending more than \$2,000. Spending on books and supplies is higher at for-profit institutions, with 50 percent reporting spending more than \$900 and 24 percent reporting spending more than \$2,000.

TABLE 1

Reported Spending on Required Course Materials, Full-Time Students, 2019–20

	≤ \$400	\$401–900	> \$900	> \$2,000	Median	Mean
All full-time students	34%	32%	33%	11%	\$550	\$901
All nonprofit	35%	33%	34%	10%	\$550	\$882
Public four-year	34%	35%	31%	9%	\$580	\$882
Private nonprofit four-year	38%	32%	30%	10%	\$525	\$849
Public two-year	33%	33%	34%	10%	\$580	\$884
For-profit	29%	22%	50%	24%	\$470	\$1,124

Source: 2019–20 National Postsecondary Student Aid Study, PowerStats tables dvsohn and zsnler.

These figures are significantly lower than the institution-based student budgets for books and supplies the College Board reports: \$1,240 for public and private nonprofit four-year institutions and \$1,460 for public two-year institutions for 2019–20. Integrated Postsecondary Education Data System data indicate an average of \$1,215 for books and supplies in COA in 2021–22.⁶

In many states, median budgets for books and supplies are similar at public two-year and four-year institutions. But in several states, the typical budget is more than \$500 a year higher at four-year institutions than at two-year institutions, and in several other states, the amount for books and supplies is higher at two-year colleges. And there is significant variation within sectors within states, with the average range exceeding \$1,000.⁷

Institutions use various techniques for estimating student budgets for COA, and students may find ways to reduce costs by purchasing books online, buying used books, or not buying all required materials. There is no obvious best answer for an allowance, but possibilities would seem to range approximately from \$500 to \$1,000.

Housing

Housing costs for students vary considerably depending on whether students live on campus, off campus, or with their parents. Housing is also a major contributor to geographic differences in the cost of living.

About half of all undergraduates live off campus and not with their parents (table 2). This is the case for 44 percent of full-time students; 30 percent of undergraduates, including 27 percent of full-time students, live with their parents; and only 18 percent of all undergraduate students and 28 percent of those enrolled exclusively full time live on campus.

TABLE 2
Living Arrangements of Undergraduate Students, 2019–20

	Living on campus	Living off campus	Living with parents
All students	18%	51%	30%
Public four-year	29%	48%	23%
Private nonprofit four-year	47%	38%	15%
Public two-year	2%	54%	44%
For-profit	2%	78%	20%
All full-time students	28%	44%	27%
Public four-year	35%	44%	21%
Private nonprofit four-year	55%	31%	14%
Public two-year	4%	46%	51%
For-profit	2%	78%	20%

Source: 2019–20 National Postsecondary Student Aid Study, PowerStats table jmdqhu.

Despite the small share of students for whom institutional room and board charges are relevant, information on these charges is more precise than the amounts included in institution-set COAs for food and housing for other students.

Housing charges vary more across states than board charges. For example, at public four-year institutions, average room charges in 2021–22 ranged from \$10,533 in New York and \$8,945 in California to \$4,035 in North Dakota and \$3,961 in Utah. The highest was 2.7 times the lowest (and 1.7 times the median). Board charges ranged from \$6,846 in California and \$6,769 in Washington to \$4,193 in South Carolina and \$3,656 in Wisconsin. The highest was 1.9 times the lowest (and 1.3 times the median). In other words, geographic adjustments would be particularly relevant for housing allowances.

The variation in housing expenses across geographic areas, depending on living arrangements, and by institutional pricing levels makes it challenging to develop a national standard. These expenses might best be dealt with at the state level. And it remains crucial for institutions to provide comprehensive information to students regarding housing expenses.

Food

Research suggests that, as is the case for the general population, a sizeable number of students are food insecure. Food insecurity estimates, which are larger at community colleges than at four-year institutions, depend on the state of the economy but generally range from 10 to 15 percent for undergraduates (Blagg 2017). And in survey data on undergraduates in 2019–20, 23 percent of students reported having experienced low or very low food security over the previous 30 days.⁸

Average charges for on-campus food in 2021–22 were \$5,314 at public-four year institutions and \$6,068 at private nonprofit four-year institutions.⁹

The Food and Nutrition Service of the US Department of Agriculture estimates that the monthly cost of a low-cost food plan for a single adult is \$301 for men and \$261 for women (FNS, n.d.), yielding an average of about \$2,500 for nine months. The moderate-cost plan would be about \$3,100. Because full-time students are unlikely to be able to eat all their meals at home, a reasonable estimate for a range that would cover basic food but not all typical expenses might be \$3,500 to \$5,000.

Transportation

The transportation allowance in the COA includes costs for transportation between school, residence, and place of work. This includes costs associated with owning a vehicle but not the purchase of a vehicle.¹⁰ These costs might cover parking, public transportation, and long-distance travel from home to campus.

According to the 2019–20 NPSAS, 59 percent of undergraduates who are not studying fully online attend college within 25 miles of their residence, and 69 percent attend within 50 miles of home. In other words, the main consideration should be automobile travel or public transportation, not airfares.

TABLE 3
College Distance from Primary Residence, 2019–20

	≤ 25 miles	26–50 miles	51–100 miles	101–200 miles	201–500 miles	> 1,000 miles
All	59%	10%	9%	8%	6%	3%
Four-year public	45%	11%	15%	14%	9%	3%
Four-year private nonprofit	34%	10%	10%	12%	12%	9%
Two-year public	80%	10%	4%	3%	2%	1%
For-profit	64%	9%	6%	4%	8%	5%

Source: National Postsecondary Student Aid Study, PowerStats table hzoypl.

The College Board reports that the average transportation component of 2023–24 COA ranged from \$1,100 for private nonprofit four-year college students living on campus to \$1,930 for public two-year commuter students.

A cash allowance should be heavily influenced by public transportation costs but should incorporate the needs of students who must rely on automobiles. A reasonable estimate might be \$1,000.

Child Care

Students with dependent children face potentially significant expenses others do not have. But these expenses are not always reflected in their official COAs. Child care is a component of COA, and institutions have access to information about which financial aid applicants have dependents, but the inclusion of this allowance—which covers actual (reasonable) costs incurred for child care during class time, study time, commuting, and other related obligations—is generally not automatic. Students must request it from the aid office. Student-parents generally attend colleges that have minimal resources to provide them with extra support, but many qualify for more subsidized—or unsubsidized—federal loans with an increased COA.

According to California Competes, student-parents’ net price was more than \$7,500 greater per child in 2020 than the net price of students without children (California Competes 2020). In 2022, The Education Trust found that net prices are between two and five times greater for student-parents than for other students (ET and GH 2022).

Some students receive in-kind subsidies for child care from the Child Care Access Means Parents in School program, which provides funding to colleges to subsidize child care. But this program is far from adequate to meet student-parents’ needs. According to the Government Accountability Office (GAO), the program helped about 3,300 students pay child care costs for about 4,000 children in 2016–17. Another 4,200 children were on waiting lists to receive assistance (GAO 2019).

Child care is expensive. In 2023, average costs for one child in care were about \$300 per week, with considerable variation across geographic locations and types of care.¹¹ But the problem is not just cost. There is a shortage of high-quality day care, a problem that no subsidy through the student aid system can solve.

Including child care in a standard basic living allowance is likely infeasible because it applies only to some students. But failing to address the problem directly, possibly at the state level, leaves a significant share of undergraduate students facing problems likely to interfere with their academic success.

Overview

A federal basic living allowance ranging from \$5,000 to \$7,000 could provide vital support for high-need students struggling to pay for books and supplies, food, and transportation. This level of support would not be adequate to also address housing and child care expenses, but improvements in state need-based aid programs could supplement the federal stipend.

Existing Policy Efforts

One place where living allowances are already in place is in the military educational aid system. Post-9/11 aid covers full public in-state tuition and includes a geographically specific housing allowance and a separate stipend for books and supplies.¹² But it would be difficult to expand this program to all students, given its complexity and generosity.

Increased attention to the difficulties many students face meeting their basic needs has led to some state-level efforts to address the problem and to several policy proposals. For example, California recently approved HireUP, a pilot program for supporting living expenses for students who were formerly incarcerated, were foster children, or are low-income parents. Students will earn the state minimum wage in proportion to the amount of coursework for which they are enrolled. A full-time student might earn almost \$11,000 a semester.¹³

California State University trustees voted to expand grants to fund the full cost of tuition and living expenses for students who show they need it to attend college. The idea is to give students stipends of up to \$5,000 for living expenses.¹⁴

Massachusetts has expanded the MASSGrant Plus program to provide Pell grant recipients a \$1,200 allowance for books and supplies in addition to free tuition and fees at public institutions, and another program provides a similar stipend to older community college students.¹⁵ The state is considering a free community college program that would include a \$1,200 allowance for books and supplies for all students and up to \$2,000 in living expenses for low-income students.

Many institutions have established food banks, connections to public income support services, and other targeted efforts to help students meet their needs. Some programs for community college students, such as the City University of New York's Accelerated Study in Associate Programs, provide free public transportation.¹⁶ California state lawmakers recently approved a bill that would have provided free transportation for all public and community college students. But Governor Gavin Newsom vetoed the legislation, saying the projected cost was too high.¹⁷ These efforts are important but do not represent systemic solutions.

How Should We Think about Helping Students Cover Their Nontuition Expenses?

Are Cost-of-Living Adjustments Feasible?

Differences in housing costs across the nation make it difficult to justify a standard living stipend pegged to housing expenses. But attempting to incorporate cost-of-living adjustments to a stipend policy would be overwhelmingly complicated.

The federal student aid system does not include any cost-of-living adjustments.¹⁸ In 2009, the GAO issued a report examining the possibility of implementing cost-of-living adjustments but concluded that such an effort would unduly complicate the system and that the absence of an official overall measure of geographic differences in cost of living could be an insurmountable barrier.¹⁹ The College Board does publish a table of possible geographic adjustments for its Institutional Methodology (IM), a need analysis formula that some institutions use to allocate their own aid dollars. These metrics are for metropolitan areas and are based on the housing component of the Consumer Expenditure Survey (CE). Institutions can adjust the income protection allowance (i.e., the amount of income set aside by the formula as covering necessities, below which households cannot contribute anything to college expenses) or the emergency reserve allowance (i.e., an amount of assets the formula ignores because households need them for emergencies). The formula allows adjustments only for more expensive areas, not for locations that are less expensive than the national average.

Organizations have developed multiple cost-of-living metrics providing a range of estimates of differences across locations, including different rankings of metropolitan areas. The index that appears most suited to adjusting a basic living allowance is the Economic Policy Institute's (EPI) Family Budget Calculator.²⁰ EPI estimates the income a family needs for a modest but adequate standard of living.

There are budgets for different family sizes and compositions in all US counties and metropolitan areas. For example, the estimate for a family of two adults and two children in metropolitan New York City is \$147,041. For one adult and one child, the estimate is \$108,205. For the same families in Hamilton County, New York, these budgets are \$100,130 and \$71,673, and in Cleveland County, Arkansas, they are \$85,100 and \$59,197. Comparing metropolitan areas, the largest gaps are in the housing components of the budgets. For example, housing is about three times as expensive in San Francisco as in Anchorage. But the total budgets in Chicago and Miami, where housing costs are higher than in Anchorage, are lower because of lower transportation, health care, and child care costs.

State and local governments are unlikely to rely on a budget set by a private nonprofit organization identified with liberal political goals. Available government data sources include the Consumer Expenditure Survey, which is collected by the Census Bureau and includes information on household income, expenditures, and demographic characteristics. CE data inform the changing market basket of goods for the Consumer Price Index (CPI). Separate CPIs are published for metropolitan areas, but the CPI measures *changes* in prices, rather than levels of prices. And these measures are volatile because of small sample sizes.

Comparing published CE data, the IM cost-of-living table, and the EPI living standards shows a lot of inconsistency. For example, average housing expenditures in San Francisco are about equal to the EPI housing budget for a family of two adults and two children. But in Anchorage and Chicago, average CE expenditures are about 70 percent higher than the EPI budget. Total average CE expenditures are generally lower than the EPI budgets, but the ratio ranges from 62 percent in New York City to 86 percent in Washington, DC. The IM tables suggest that Washington, DC, and San Francisco are most expensive, both about 16 percent more expensive than the national average. The EPI budgets suggest that several other metropolitan areas are more expensive than Washington, DC, in terms of housing and overall.

In sum, there is no simple solution to a geographic adjustment for a basic living allowance. It might be possible to acknowledge the lack of precision and add, say, 10 percent for Boston, Honolulu, Los Angeles, New York, San Francisco, and Washington, DC. It is hard to imagine anything that purports to be more precise.

A Standard Stipend Not Dependent on Individual Cost of Attendance

As detailed in Baum et al. (2023), the estimates of nontuition expenses included in institutionally determined student budgets are inconsistent and largely arbitrary. Estimates of housing and food costs

differ widely among schools in the same area. Budgets for books and supplies are not consistent within university systems. The treatment of students living with their parents is more generous at some institutions than at others.

Moreover, few students have their financial need fully met by student aid, and that is likely to remain the case even with the successful implementation of a living stipend as an integral part of the aid system. The combination of this reality with the unreliability of COA metrics makes the complexity of an individualized living stipend an unappealing path.

Because a feasible stipend is unlikely to cover all living expenses for typical students, and because of the dramatic variation in housing expenses across geographic areas, it seems practical to think in terms of covering average expenses for books and supplies, food, and possibly transportation for students. Based on the discussion above, such a stipend might range from \$5,000 to \$7,000. Even a smaller stipend would, of course, mitigate the difficulties many students currently face.

Policy Options: Designing Pell Supplements

Providing federal need-based funding for living expenses must be connected to the Pell program to avoid introducing the complexity of multiple grant programs. But there are strong arguments for structuring the basic living allowance differently from a straightforward increase in the maximum Pell grant.

Increasing the maximum Pell grant automatically increases the EFC (or Student Aid Index) level at which eligibility ends. The advantage of increasing this level is that it provides support for more middle-income students, who are struggling to cover their college expenses, even if they are unlikely to be hungry or homeless. But choosing the cutoff EFC level rather than having it automatically linked to the Pell maximum is appealing. Moreover, the goal should be to provide a larger living stipend to the lowest-income students, who struggle most to meet basic needs.

Potential approaches include the following:

1. Increase the maximum Pell grant so students have more money available to cover their living expenses.
2. Instead of doubling the maximum Pell grant, award students two Pell grants, one specifically for basic living expenses.

3. Add a need-based living stipend to Pell, selecting a maximum award level that might be smaller than the Pell maximum. The living stipend could decline more slowly, more rapidly, or at the same rate as the Pell grant, leading to different maximum EFC (or SAI) levels for receipt of the stipend.

The examples below apply to full-time students. In all cases, awards would be prorated for part-time students, as Pell grants are.

INCREASE THE MAXIMUM PELL GRANT

Despite its apparent simplicity, a significant increase in the Pell grant maximum is arguably not the best way to help students cover living expenses.²¹ Increasing the maximum Pell grant adds the same amount to the award levels of all current recipients. And students with higher EFCs are brought into the system. Doubling the maximum grant will double the maximum eligible EFC. New recipients receive smaller increments because they are not eligible for the full amount of the new award.

The most salient problem, but one that is not widely understood, is that an increase in the maximum Pell grant increases the aid awarded to most full-time recipients by the amount of that increase. If the maximum were to double from the 2024–25 level of \$7,395, grants for full-time students currently receiving the maximum would double to \$14,790. Grants to those currently receiving \$2,000 would also rise by \$7,395 to \$9,395, a nearly fivefold increase. The program cost would more than double.

The minimum Pell grant is 10 percent of the maximum, rounded to the nearest \$5. With a maximum of \$7,395, the minimum for 2024–25 would be \$740. But because of the way the award table is constructed, the actual minimum is \$750. Students whose EFCs would qualify them for a smaller award do not receive Pell grants (FSA, n.d.).²² Table 4 rounds the current maximum to \$7,500 and shows the impact on students at different EFC levels of increasing the maximum to \$10,000 or \$15,000. The income levels associated with different EFC levels depend on several factors, including family size and asset levels. An EFC of \$6,000 corresponds to a family of four with minimal assets earning approximately \$70,000 to \$75,000.

Increasing the maximum Pell grant would result in students who do not now receive Pell being eligible to receive it. A student with an EFC of \$7,000 who would otherwise not receive anything would receive \$3,000 with a \$10,000 Pell maximum and would receive \$8,000 with a \$15,000 Pell maximum.

Based on the distribution of EFCs among 2019–20 undergraduate students, as represented in the National Postsecondary Student Aid Study, doubling the maximum Pell grant from \$7,500 to \$15,000

would increase the program's cost by about 135 percent. Just over half the extra dollars would go to students with \$0 EFCs; just under 20 percent would go to students with EFCs above \$5,500.²³

TABLE 4

Increase the Maximum Pell Grant

EFC	Max. = \$7,500	Max. = \$10,000	Max. = \$15,000	Increment in grant from increasing max. from \$7,500 to \$15,000
	Pell amount	Pell amount	Pell amount	
\$0	\$7,500	\$10,000	\$15,000	\$7,500
\$1,000	\$6,500	\$9,000	\$14,000	\$7,500
\$2,000	\$5,500	\$8,000	\$13,000	\$7,500
\$3,000	\$4,500	\$7,000	\$12,000	\$7,500
\$4,000	\$3,500	\$6,000	\$11,000	\$7,500
\$5,000	\$2,500	\$5,000	\$10,000	\$7,500
\$6,000	\$1,500	\$4,000	\$9,000	\$7,500
\$7,000	\$0 ^a	\$3,000	\$8,000	\$8,000 ^b
\$8,000	\$0	\$2,000	\$7,000	\$7,000
\$9,000	\$0	\$1,000	\$6,000	\$6,000
\$10,000	\$0	\$0	\$5,000	\$5,000
\$11,000	\$0	\$0	\$4,000	\$4,000
\$12,000	\$0	\$0	\$3,000	\$3,000
\$13,000	\$0	\$0	\$2,000	\$2,000
\$14,000	\$0	\$0	\$1,000	\$1,000
\$15,000	\$0	\$0	\$0	\$0

Source: Authors' calculations based on the Pell formula.

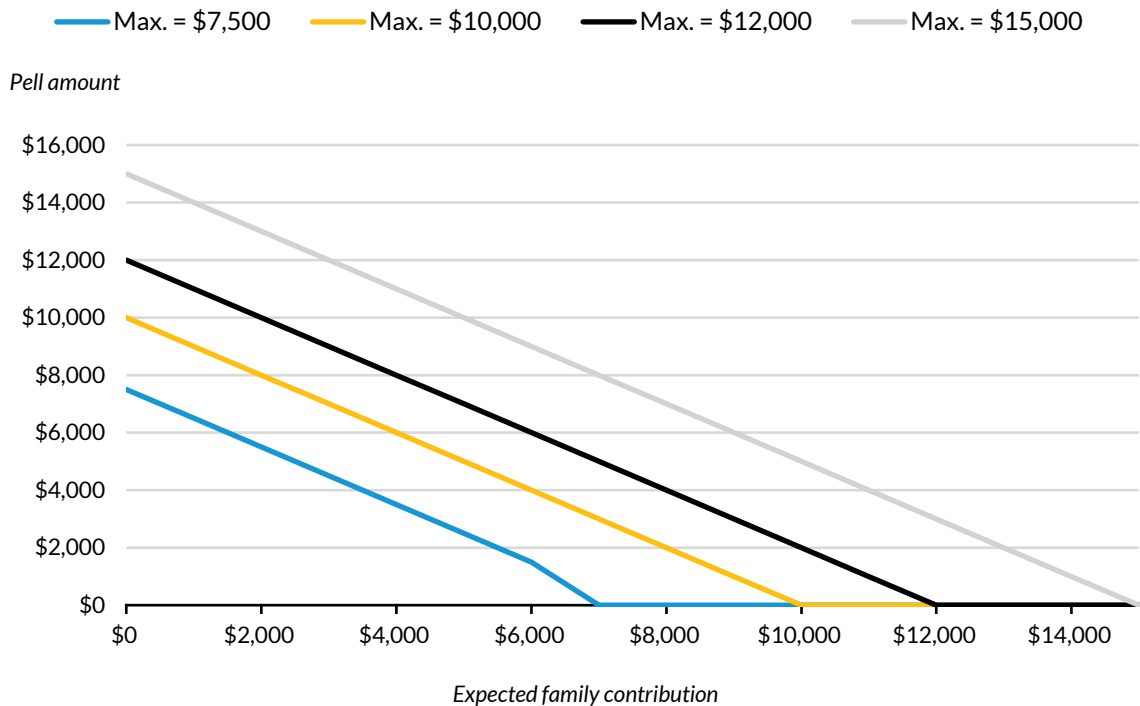
Notes: EFC = expected family contribution. Under the current rule that the minimum Pell grant equals 10 percent of the maximum, with a \$15,000 maximum, the minimum grant would be \$1,500, so students with \$14,000 EFCs would not receive the calculated \$1,000 Pell grants. The table does not make this adjustment because of the possibility that the size of the cliff from the minimum to \$0 would lead to an adjustment of the minimum level.

^a A \$7,000 EFC would yield a \$500 Pell grant, lower than the minimum grant level of \$750, so the award is \$0.

^b At a \$7,000 EFC, the award increases by \$7,500 from the calculated \$500 under the lower maximum, but because the students did not receive that \$500, they end up with an extra \$7,500 plus \$500, or \$8,000.

FIGURE 1

Increase the Maximum Pell Grant



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Source: Authors' calculations based on the Pell formula.

PROVIDE A "SECOND PELL GRANT" FOR LIVING EXPENSES

Another option would provide all Pell recipients an additional Pell grant for living expenses only. This approach would be equivalent to doubling all Pell grants—probably what many people think of when they hear the idea of “doubling Pell.”

For full-time students with \$0 EFCs receiving the maximum Pell amount, a second Pell grant is the same as a doubling of the Pell maximum. But for students receiving less than the maximum grant, doubling the maximum Pell more than doubles awards because it adds the increment in the maximum grant to the size of all existing Pell grants. In contrast, a second Pell grant would double the total aid awarded to all recipients. For example, with a maximum grant of \$7,500, a student with an EFC of \$3,000 would receive two \$4,500 grants ($\$7,500 - \$3,000$). If the maximum increased by \$7,500 to \$15,000, that student would receive a grant of \$12,000 ($\$15,000 - \$3,000$).

A second Pell grant for living expenses would keep the maximum EFC for eligibility at its current level and would make grant aid decline by \$2 for every \$1 increase in EFC—double the current rate of decline. Adding a second Pell grant would double the program’s cost.

TABLE 5

A Second Pell Grant for Living Expenses

EFC	Max. = \$7,500	Two Pell grants	Increment in aid from two Pell grants instead of one
\$0	\$7,500	\$15,000	\$7,500
\$1,000	\$6,500	\$13,000	\$6,500
\$2,000	\$5,500	\$11,000	\$5,500
\$3,000	\$4,500	\$9,000	\$4,500
\$4,000	\$3,500	\$7,000	\$3,500
\$5,000	\$2,500	\$5,000	\$2,500
\$6,000	\$1,500	\$3,000	\$1,500
\$7,000	\$0	\$0 ^a	\$0
\$8,000	\$0	\$0	\$0
\$9,000	\$0	\$0	\$0
\$10,000	\$0	\$0	\$0
\$11,000	\$0	\$0	\$0
\$12,000	\$0	\$0	\$0
\$13,000	\$0	\$0	\$0
\$14,000	\$0	\$0	\$0
\$15,000	\$0	\$0	\$0

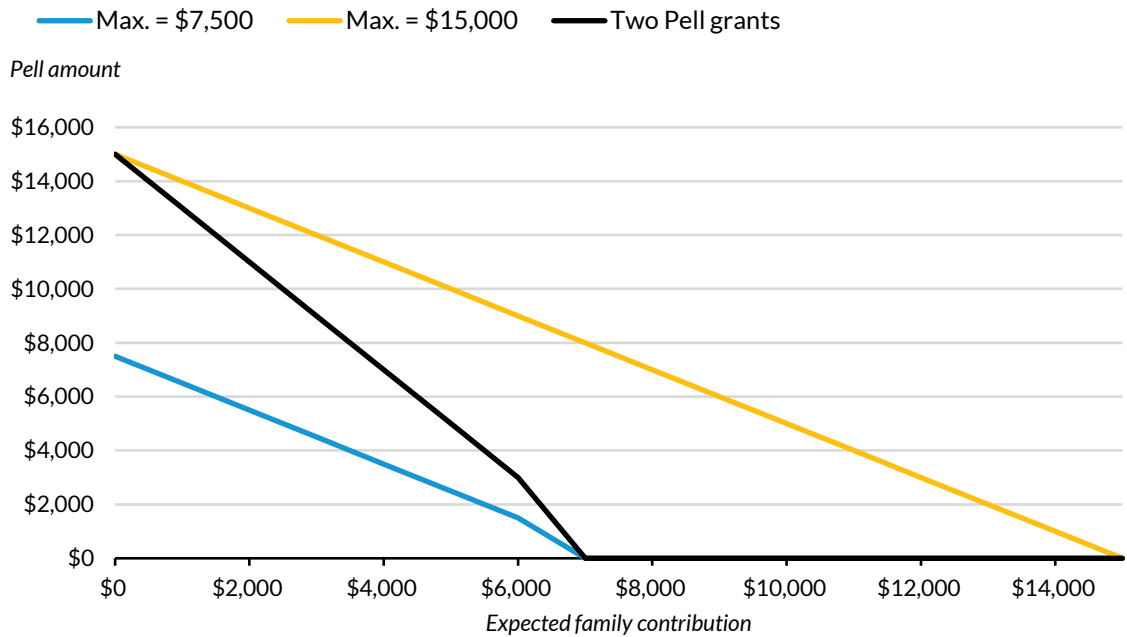
Source: Authors’ calculations based on the Pell formula.

Note: EFC = expected family contribution.

^a If the minimum grant for each of the two Pell grants remained \$750, the student with a \$7,000 EFC would not receive an award. It would, however, be possible to modify this policy.

FIGURE 2

Double Pell Maximum versus Two Equal Grants



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Source: Authors' calculations based on the Pell formula.

ADD A LIVING STIPEND THAT DECLINES CONSISTENTLY AS EFC INCREASES; THE STIPEND COULD BE SMALLER THAN PELL AND/OR IT COULD DECLINE AT A DIFFERENT RATE, REACHING A LOWER OR HIGHER LEVEL ON THE INCOME SCALE

Instead of linking additional funds to the Pell grant, our third and favored option would be to simply offer students a living stipend. This independent stipend would decrease as EFC increases. This option creates more flexibility, as policymakers could alter both the size of the stipend and how quickly the stipend decreases, further influencing which groups receive funds. The combination of a \$10,000 maximum Pell grant and a \$5,000 living stipend would provide \$15,000 to students with \$0 EFCs, as would doubling the \$7,500 Pell maximum (or providing students two separate Pell grants).

This option would provide the largest increments in funding to the lowest-EFC students and need not extend as far up the income scale as the enhanced Pell grant. Increasing the maximum Pell grant and creating a smaller living stipend would allow more middle-income students to be eligible for federal funding but would concentrate benefits at lower income levels. Many variations on the exact structure would be possible.

Increasing the maximum Pell grant from \$7,500 to \$10,000 and adding a living stipend with a maximum of \$5,000, ending at the same EFC as Pell, would approximately double the program's cost (a 100 percent increase compared with about 135 percent for raising the maximum grant to \$15,000). A higher share of the new dollars—about 70 percent compared with just over 50 percent if the Pell maximum doubled—would go to students with \$0 EFCs. Less than 10 percent (compared with almost 20 percent if the Pell maximum doubled) would go to students with EFCs exceeding \$5,500.

TABLE 6

Adding a Living Stipend with a \$5,000 Maximum

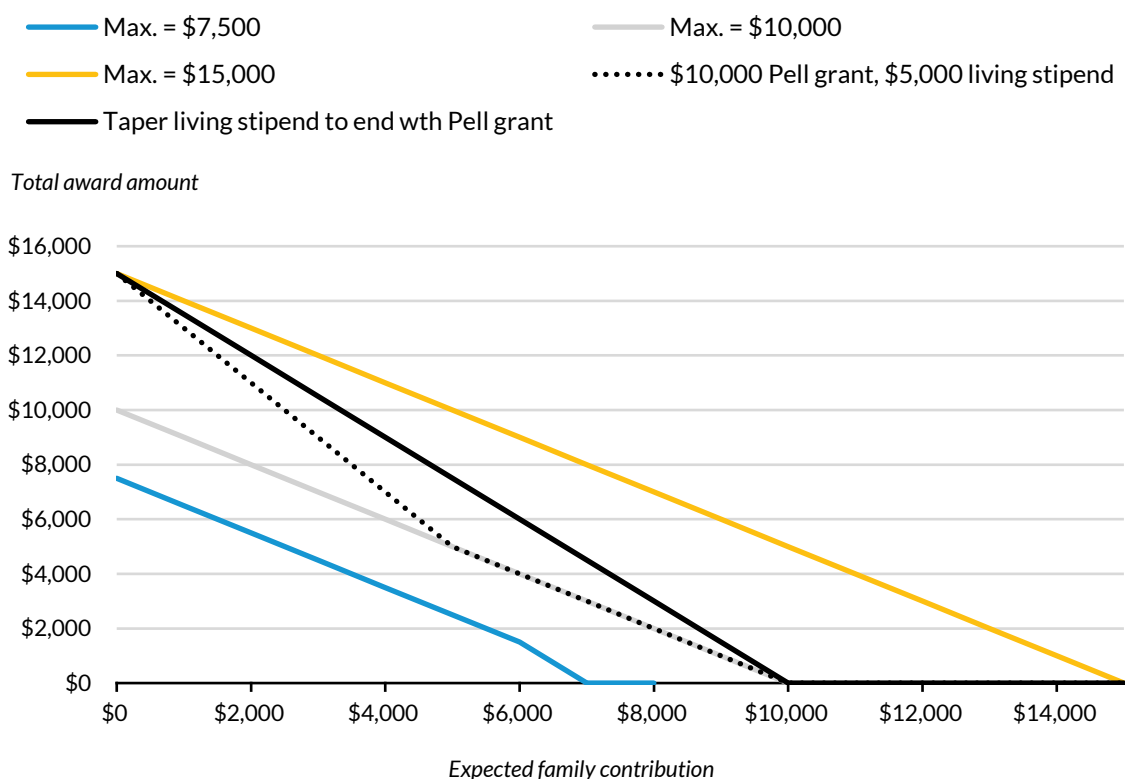
				\$10,000 Pell Grant, \$5,000 LS				LS Tapers More Slowly			
EFC	Pell max. = \$7,500	Pell max. = \$10,000	Pell max. = \$15,000	EFC	Pell grant	LS	Total	EFC	Pell grant	LS that tapers more slowly	Total
\$0	\$7,500	\$10,000	\$15,000	\$0	\$10,000	\$5,000	\$15,000	\$0	\$10,000	\$5,000	\$15,000
\$1,000	\$6,500	\$9,000	\$14,000	\$1,000	\$9,000	\$4,000	\$13,000	\$1,000	\$9,000	\$4,500	\$13,500
\$2,000	\$5,500	\$8,000	\$13,000	\$2,000	\$8,000	\$3,000	\$11,000	\$2,000	\$8,000	\$4,000	\$12,000
\$3,000	\$4,500	\$7,000	\$12,000	\$3,000	\$7,000	\$2,000	\$9,000	\$3,000	\$7,000	\$3,500	\$10,500
\$4,000	\$3,500	\$6,000	\$11,000	\$4,000	\$6,000	\$1,000	\$7,000	\$4,000	\$6,000	\$3,000	\$9,000
\$5,000	\$2,500	\$5,000	\$10,000	\$5,000	\$5,000	\$0	\$5,000	\$5,000	\$5,000	\$2,500	\$7,500
\$6,000	\$1,500	\$4,000	\$9,000	\$6,000	\$4,000	\$0	\$4,000	\$6,000	\$4,000	\$2,000	\$6,000
\$7,000	\$0	\$3,000	\$8,000	\$7,000	\$3,000	\$0	\$3,000	\$7,000	\$3,000	\$1,500	\$4,500
\$8,000	\$0	\$2,000	\$7,000	\$8,000	\$2,000	\$0	\$2,000	\$8,000	\$2,000	\$1,000	\$3,000
\$9,000	\$0	\$1,000	\$6,000	\$9,000	\$1,000	\$0	\$1,000	\$9,000	\$1,000	\$500	\$1,500
\$10,000	\$0	\$0	\$5,000	\$10,000	\$0	\$0	\$0	\$10,000	\$0	\$0	\$0
\$11,000	\$0	\$0	\$4,000	\$11,000	\$0	\$0	\$0	\$11,000	\$0	\$0	\$0
\$12,000	\$0	\$0	\$3,000	\$12,000	\$0	\$0	\$0	\$12,000	\$0	\$0	\$0
\$13,000	\$0	\$0	\$2,000	\$13,000	\$0	\$0	\$0	\$13,000	\$0	\$0	\$0
\$14,000	\$0	\$0	\$1,000	\$14,000	\$0	\$0	\$0	\$14,000	\$0	\$0	\$0
\$15,000	\$0	\$0	\$0	\$15,000	\$0	\$0	\$0	\$15,000	\$0	\$0	\$0

Source: Authors' calculations based on the Pell formula.

Note: LS = living stipend.

FIGURE 3

Living Stipend with Lower Maximum Than Pell, Alternative Tapering Models



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Source: Authors' calculations based on the Pell formula.

The maximum living stipend could be equal to or less than the maximum Pell grant. It might, for example, provide \$1,400 for books and supplies and \$3,600 (\$400 a month for nine months) for food, or \$5,000 total. Increasing the maximum Pell grant at the same time would bring aid further up the EFC scale but not as far up as, for example, doubling the Pell maximum. Allowing the stipend to decline more slowly than Pell would also allow it to extend further up the EFC scale.

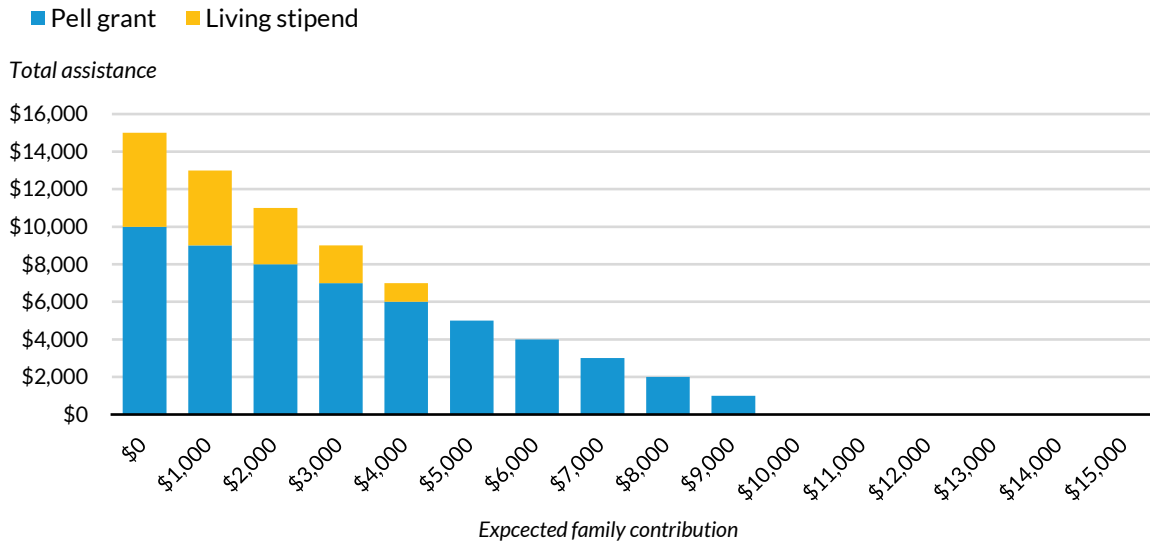
It would also be possible to structure the living stipend so that it is flat at the bottom, providing the same amount to all recipients with, for example, EFCs below \$4,000, and declining for higher EFCs.

Or the living stipend might be flat at the upper end, providing an allowance for books and supplies to students ranging up to higher EFC levels than the Pell limit.

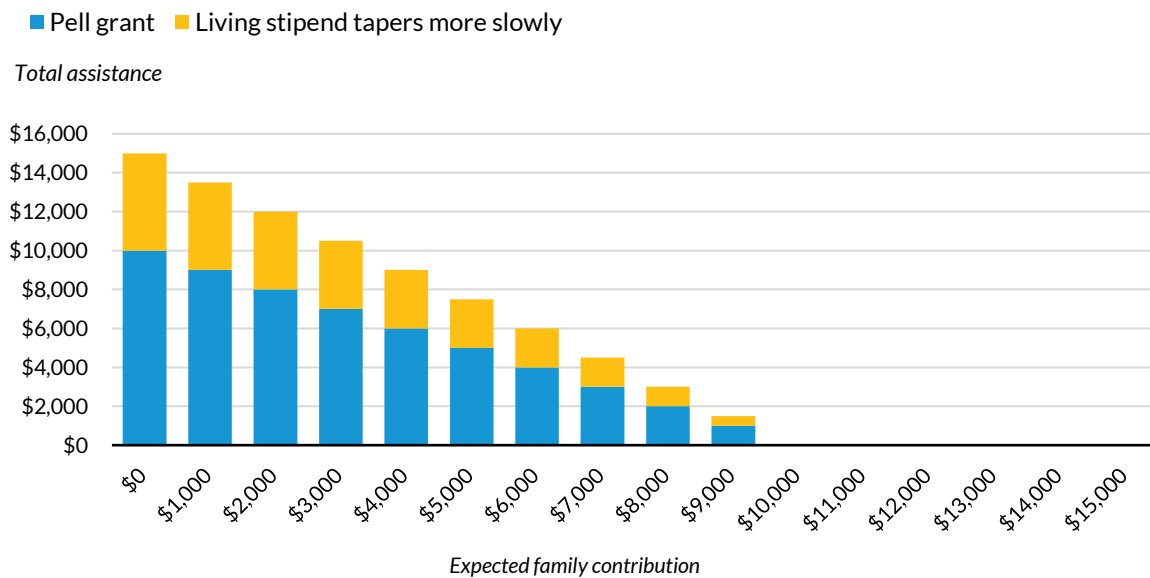
FIGURE 4

Adjusting the Path of the Living Stipend

Living stipend declines at the same rate as the Pell grant



Stipend declines more slowly to reach the same expected family contribution as the Pell grant



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Source: Authors' calculations based on the Pell formula.

Federal Matching Funds for States

Adding a federal need-based stipend for nontuition expenses to the Federal Pell Grant Program would maintain the federal role of providing need-based aid to students at all Title IV–eligible institutions. But it would also be possible to design a federal matching grant providing incentives for states to increase their grant aid to account for nontuition expenses. Given the expense, a federal living stipend program, while it would ease the financial strain on many students, would be unlikely to fully solve the problems of low-income students struggling with nontuition expenses. Adding a state matching grant program could help address the remaining problems while allowing for adjustments associated with geographic cost-of-living differences.

In 1972, the federal government created the State Student Incentive Grant Program (later named the Leveraging Educational Assistance Program) to provide incentives for states to create or expand need-based grant programs for students. The federal government provided funding if the states matched the funds. Funding for the program ended in 2010. By this time, almost all states had some amount of need-based aid.

A similar model could encourage states to provide need-based living stipends for students. Currently, some state grant programs do not fund students beyond tuition and fees, and the matching approach could provide incentives for them to remove those limits.

A weakness of a federal-state matching program is that it requires funding from states, which is a problem particularly during weak economic times. Moreover, some states might choose not to participate.

But this approach would require less funding from Congress and would strengthen the federal-state partnership in increasing access to higher education. Proposals with this aim are not uncommon but usually involve general funding for public higher education, rather than being focused on student aid. For example, the Bipartisan Policy Center supports an annual \$5 billion flexible matching grant program to encourage states to reinvest in their higher education systems and to protect against funding declines during recessions (Aborn and Akabas 2021; Streeter and Thompson, n.d.). Proposals for free and debt-free college also frequently rely on federal matching funds for states.

Concerns about the federal deficit generally and specifically regarding impending shortfalls in Pell funding make considering a combination of federal and state funds appealing. The Committee for a Responsible Federal Budget predicts that even without significant expansion, Pell grant expenditures will exceed appropriations every year for the coming decade.²⁴

Conclusion

Increased support for low- and moderate-income students who struggle to meet their basic needs, even in the presence of grant aid that supports their tuition and fees, is critical to increasing student success. A dramatic increase in the Pell grant maximum sounds like the simplest way to address this problem, but this solution has significant shortcomings. Doubling the maximum Pell grant would more than double the program's cost because it would add the same increment to the funding all current recipients receive, more than doubling grants for many recipients, in addition to bringing many students with higher incomes into the program.

Instead, creating a need-based living stipend to supplement Pell would allow new funds to be targeted at the lowest-income students, who face the most severe difficulties, even while extending aid somewhat further up the income scale. This living stipend should be standardized, rather than dependent on the inconsistent and somewhat arbitrary COA budgets individual institutions set. The goal is not to cover all expenses students face but to provide students significant funding to ameliorate the difficulties they face meeting basic expenses while they are in school. Supporting the millions of students across the country burdened by nontuition expenses requires systems-level solutions.

Notes

- ¹ “The Future of Higher Education,” Marist Poll, February 7, 2023, <https://maristpoll.marist.edu/the-future-of-higher-education/>.
- ² The changes to the federal student aid system for 2024–25 replaced the term expected family contribution (EFC) with Student Aid Index (SAI). We use EFC in this report because our data are based on EFCs from 2019–20, when that was the terminology in use.
- ³ For more details about these issues, see Baum et al. (2023).
- ⁴ “Cost of Attendance (Budget),” US Department of Education, Office of Federal Student Aid, accessed April 17, 2024, <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2023-2024/vol3/ch2-cost-attendance-budget>.
- ⁵ “Cost of Attendance (Budget),” US Department of Education, Office of Federal Student Aid.
- ⁶ Digest of Education Statistics 2022, table 330.40.
- ⁷ Authors’ analysis of Integrated Postsecondary Education Data System data.
- ⁸ 2020 National Postsecondary Student Aid Study, PowerStats table mjxmhk.
- ⁹ Digest of Education Statistics 2022, table 330.20.
- ¹⁰ “Cost of Attendance (Budget),” US Department of Education, Office of Federal Student Aid.
- ¹¹ “This Is How Much Child Care Costs in 2024,” Care.com, January 17, 2024, <https://www.care.com/c/how-much-does-child-care-cost/>.
- ¹² “Post-9/11 GI Bill (Chapter 33),” US Department of Veterans Affairs, last updated March 29, 2024, <https://www.va.gov/education/about-gi-bill-benefits/post-9-11/>.
- ¹³ Kathryn Palmer, “California Offers Stipends to Financially Vulnerable Community College Students,” Inside Higher Ed, March 5, 2024, <https://www.insidehighered.com/news/students/financial-aid/2024/03/05/california-offers-cash-some-community-college-students>.
- ¹⁴ Ashley A. Smith, “CSU to Expand Student Grants to Cover Full Tuition and Living Expenses,” EdSource, February 1, 2024, <https://edsource.org/2024/csu-to-expand-student-grants-to-cover-full-tuition-and-living-expenses/705099>.
- ¹⁵ “MASSGrant Plus Expansion,” Massachusetts Department of Higher Education, accessed May 3, 2024, https://www.mass.edu/about/whatsnew_2023massgrantplusexp.asp.
- ¹⁶ “Evaluation of Accelerated Study in Associate Programs (ASAP) for Developmental Education Students,” MDRC, accessed April 17, 2024, <https://www.mdrc.org/work/projects/evaluation-accelerated-study-associate-programs-asap-developmental-education-students>.
- ¹⁷ A.B. 1919, 2022 Leg. (Cal. 2022).
- ¹⁸ Until the 2024 revision resulting from the FAFSA Simplification Act, the federal formula included an allowance for state and local taxes that varied by state.
- ¹⁹ The GAO (2009) report noted that federal programs that currently adjust for cost-of-living differences use measures focusing on special populations (e.g., military personnel) or specific costs (e.g., medical practice costs).
- ²⁰ “Family Budget Calculator,” Economic Policy Institute, accessed April 17, 2024, <https://www.epi.org/resources/budget/>.

- ²¹ For a detailed discussion of potential problems with relying on a large increase in the maximum Pell grant, see Baum et al. (2023).
- ²² See also “(GEN-23-02) 2023-2024 Federal Pell Grant Payment and Disbursement Schedules,” US Department of Education, Office of Federal Student Aid, accessed April 17, 2024, <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2023-01-26/2023-2024-federal-pell-grant-payment-and-disbursement-schedules>.
- ²³ Cost estimates multiply the number of full-time students plus half the number of part-time students within \$1,000 EFC categories by the dollar increase in the Pell grant these students would receive to estimate the increased cost at each EFC level.
- ²⁴ “Pell Grants Face a Big Shortfall,” Committee for a Responsible Federal Budget blog, February 21, 2024, <https://www.crfb.org/blogs/pell-grants-face-big-shortfall>.

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